
ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012



A Professional Accounting Corporation

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ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
St. John Association for Retarded Citizens, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements St. John Association for Retarded Citizens, Inc. (the Association) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. John Association for Retarded Citizens, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, on our consideration of St. John Association for Retarded Citizens, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Postlethwaite + Nettenville

Metairie, Louisiana
December 5, 2013

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,072,392	\$ 2,062,679
Contract receivables	102,256	102,408
Receivable from St. John Parish	69,241	94,085
Prepaid expenses	1,153	-
<u>TOTAL CURRENT ASSETS</u>	<u>2,245,042</u>	<u>2,259,172</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>256,827</u>	<u>273,082</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,501,869</u>	<u>\$ 2,532,254</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 166	\$ 7,519
Accrued payroll and payroll payables	38,859	34,342
Short term portion of long term obligations	2,792	2,865
<u>TOTAL CURRENT LIABILITIES</u>	<u>41,817</u>	<u>44,726</u>
<u>LONG TERM LIABILITIES</u>	<u>10,642</u>	<u>9,593</u>
<u>TOTAL LIABILITIES</u>	<u>52,459</u>	<u>54,319</u>
<u>NET ASSETS</u>		
Unrestricted	2,449,410	2,477,935
<u>TOTAL NET ASSETS</u>	<u>2,449,410</u>	<u>2,477,935</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,501,869</u>	<u>\$ 2,532,254</u>

The accompanying notes are an integral part of these financial statements.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>REVENUES AND OTHER SUPPORT</u>		
Contract revenues - DHH - Medicaid	\$ 922,291	\$ 932,879
Contract revenues - Betr-Care	35,990	44,383
Contract revenues - Res-Care	21,056	32,116
Contract revenues - COA	15,189	7,962
Ad valorem tax	257,902	328,762
Client contracts	47,610	56,423
Contributed property and equipment	42,000	134,742
Client lunches	13,470	14,489
Membership dues	250	820
Insurance proceeds	98,000	-
Interest earnings	510	468
Miscellaneous income	15,876	16,613
Total revenues and other support	<u>1,470,144</u>	<u>1,569,657</u>
 <u>EXPENSES</u>		
Program services:		
Adult habilitation program	863,756	766,005
Personel care attendant service program	525,394	496,201
Supporting services:		
Management and general	109,519	33,902
Total expenses	<u>1,498,669</u>	<u>1,296,108</u>
 Change in net assets	(28,525)	273,549
 <u>NET ASSETS AT BEGINNING OF THE YEAR</u>	<u>2,477,935</u>	<u>2,204,386</u>
 <u>NET ASSETS AT END OF THE YEAR</u>	<u>\$ 2,449,410</u>	<u>\$ 2,477,935</u>

The accompanying notes are an integral part of these financial statements.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2013 AND 2012

	2013		Program Services				Supporting Services		
	Adult Habilitation Program	Personal Care Attendant Service	Total		Management and General	Supporting Services	Total	Management and General	Supporting Services
			Adult Habilitation Program	Personal Care Attendant Service					
Compensation and related expenses	\$ 343,513	\$ 454,945	\$ 798,458	\$ 19,899	\$ 19,899	\$ 818,357			
Compensation:									
Staff	29,572	-	29,572	-	-	29,572			
Clients	12,887	-	12,887	-	-	12,887			
Employee benefits - health insurance	28,500	30,481	58,981	-	-	58,981			
Payroll taxes	10,431	8,521	18,952	-	-	18,952			
Worker's compensation insurance	1,583	942	2,525	-	-	2,525			
Conference and training	28,639	-	28,639	-	-	28,639			
Client lunches	47,601	-	47,601	-	-	47,601			
Depreciation	-	200	200	-	-	1,405			
Dues	131,658	-	131,658	-	-	165,440			
Hurricane repairs and maintenance	51,063	-	51,063	-	-	51,063			
Insurance	-	2,055	2,055	-	-	4,622			
License and fees	26,508	-	26,508	-	-	26,508			
Loss on disposal of asset	1,200	1,200	2,400	-	-	2,400			
Medicaid billing software and support									
Occupancy:									
Utilities	14,769	509	15,278	-	-	16,976			
Maintenance	13,367	461	13,828	-	-	15,364			
Rent	36,540	1,260	37,800	-	-	42,000			
Professional services	9,091	8,523	17,614	-	-	54,636			
Supplies:									
Operating	11,152	346	11,498	-	-	11,498			
Office	6,279	5,558	11,837	-	-	12,614			
Telephone	4,894	6,197	11,091	-	-	11,091			
Transportation expense	48,696	-	48,696	-	-	48,696			
Travel and meals	-	1,799	1,799	-	-	3,579			
Interest expense	-	206	206	-	-	206			
Other	5,813	2,191	8,004	-	-	13,057			
Total expenses	\$ 863,756	\$ 525,394	\$ 1,389,150	\$ 5,053	\$ 109,519	\$ 1,498,669			

(Continued)

The accompanying notes are an integral part of these financial statements.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012

2012	Program Services			Supporting Services		
	Adult Habilitation Program	Personal Care Attendant Service	Total Program Services	Management and General	Supporting Services	Total
Compensation and related expenses						
Compensation:						
Staff	\$ 349,624	\$ 414,866	\$ 764,490	\$ 15,930	\$ 15,930	\$ 780,420
Clients	35,042	-	35,042	-	-	35,042
Employee benefits - health insurance	33,323	(214)	33,109	-	-	33,109
Payroll taxes	35,670	44,051	79,721	-	-	79,721
Worker's compensation insurance	9,341	14,010	23,351	-	-	23,351
Conference and training	1,011	692	1,703	1,143	1,143	2,846
Client lunches	35,846	-	35,846	-	-	35,846
Depreciation	36,936	-	36,936	-	-	36,936
Dues	-	-	-	3,389	3,389	3,389
Insurance	79,096	-	79,096	-	-	79,096
License and fees	-	2,015	2,015	400	400	2,415
Medicaid billing software and support	1,200	1,200	2,400	-	-	2,400
Occupancy:						
Utilities	15,287	527	15,814	1,757	1,757	17,571
Maintenance	9,884	341	10,225	1,136	1,136	11,361
Rent	36,540	1,260	37,800	4,200	4,200	42,000
Professional services	5,689	3,622	9,311	-	-	9,311
Supplies:						
Operating	10,029	191	10,220	-	-	10,220
Office	3,204	5,647	8,851	-	-	8,851
Telephone	3,844	4,738	8,582	-	-	8,582
Transportation expense	59,948	-	59,948	-	-	59,948
Travel and meals	114	1,387	1,501	57	57	1,558
Interest expense	974	-	974	-	-	974
Other	3,403	1,868	5,271	5,890	5,890	11,161
Total expenses	\$ 766,005	\$ 496,201	\$ 1,262,206	\$ 33,902	\$ 33,902	\$ 1,296,108

The accompanying notes are an integral part of these financial statements.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (28,525)	\$ 273,549
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	47,601	36,936
In-kind donation of vehicles	-	(92,742)
Loss on disposal of assets	26,508	-
Write-off of construction in progress	22,547	-
Decrease (increase) in contract receivables	152	(29,169)
Decrease (increase) in Ad valorem tax receivable	24,844	(16,651)
Increase in prepaid expenses	(1,153)	-
(Decrease) increase in accounts payable	(7,353)	2,656
Increase in accrued payroll and payroll payables	4,517	14,216
Net cash provided by operating activities	<u>89,138</u>	<u>188,795</u>
<u>INVESTING ACTIVITIES</u>		
Purchases for construction in progress	-	(10,909)
Purchase of equipment	(66,635)	(507)
Net cash used in investing activities	<u>(66,635)</u>	<u>(11,416)</u>
<u>FINANCING ACTIVITIES</u>		
Principal payments on capital lease	(12,790)	(2,672)
Net cash used in financing activities	<u>(12,790)</u>	<u>(2,672)</u>
Net increase in cash	9,713	174,707
Cash and cash equivalents, beginning of year	<u>2,062,679</u>	<u>1,887,972</u>
Cash and cash equivalents, end of year	<u>\$ 2,072,392</u>	<u>\$ 2,062,679</u>
<u>NON CASH FINANCIAL STATEMENT DISCLOSURE</u>		
In kind donation - use of facility	\$ 42,000	\$ 42,000
In kind donation - vehicles	-	92,742
Capital lease obligation	15,000	-

The accompanying notes are an integral part of these financial statements.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

St. John Association for Retarded Citizens, Inc. (the Association) is a 501 (c) (3) non-profit corporation founded for the purpose of helping citizens with mental retardation and developmental disabilities and was incorporated on October 30, 1972 under the laws of the State of Louisiana. The Association operates a Day Developmental Work/Training Center and an Individual Family Support Services program. The day developmental work-training center trains the mentally and physically handicapped citizens of the parish who are 21 years of age and older. The areas of training are geared toward helping the individuals adjust to society. The Association also provides free transportation for all activities including daily instruction classes. The individual family support service provides twenty-four hour a day in-home care by trained workers and is available for mentally handicapped citizens of all ages and the elderly.

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets

Financial Accounting Standards Board Codification No. 958 entitled "Not-For-Profit Entities" requires that net assets and changes in net assets be reported for three classifications—permanently restricted, temporarily restricted and unrestricted—based on the existence or absence of donor imposed restrictions of the assets to a particular purpose. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Association pursuant to those stipulations. The Association has no permanently restricted net assets.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments with initial maturity of three months or less to be cash equivalents.

Contracts Receivable

Contract receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Association provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost.

Donations of property and equipment are recorded as contributions at fair value on the date of donation. Such donations are reported as increased in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long these donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in services as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings and improvements	10-39 years
Land improvements	15 years
Equipment, furniture, and fixtures	5-20 years
Vehicles	5 years

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

Contract Revenue

Contract revenue is recognized on the accrual basis of accounting as services are provided.

Contributed Services

Members of the Association's board of directors and other volunteers have made significant contributions of their time to assist in the Association's operations and related charitable programs. The value of this contributed time is not recorded in these financial statements because it does not meet the criteria for recognition under U.S. generally accepted accounting principles.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Compensated Absences

Salaried employees of the Association accrue leave time of one day for each operational month. Leave must be taken by June 30 each year or the leave time is lost. Accordingly, the financial statements do not include a provision for compensated absences.

Concentration of Credit Risk

The Association maintains cash in bank accounts in excess of insured limits periodically. The Association has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2011 and 2010.

The Association's tax returns for the year ended June 30, 2013 has not been filed and is on valid extension. The Association's tax returns for the years ended 2012, 2011, and 2010 remain open and subject to examination by taxing authorities.

2. Property and Equipment

Property and equipment consists of the following at June 30:

	2013	2012
Land	\$ 50,412	\$ 50,412
Leasehold improvements	45,900	-
Land improvements	39,449	39,449
Building and improvements	124,775	112,966
Equipment	84,309	114,915
Vehicles	281,417	281,417
Construction in progress	-	22,547
Total	626,262	621,706
Less: Accumulated depreciation	(369,435)	(348,624)
Property and equipment, net	<u>\$ 256,827</u>	<u>\$ 273,082</u>

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS

3. Receivable from St. John Parish

The citizens of St. John the Baptist Parish passed Proposition II on April 3, 1993. Proposition II allows St. John the Baptist Parish to levy one-half mill tax on all the property subject to taxation within the Parish for a period of ten years beginning with the year 1993 and ending with year 2002. In 2002, Proposition II was renewed and will levy a one mill tax on all the property within the Parish for a period of ten years beginning with the year 2003 and ending with year 2012. In 2012, Proposition II was renewed and will levy a one mill tax on all the property within the Parish for a period of ten years beginning with the year 2013 and ending with year 2022. The ad valorem funds are to be used for maintaining and operating the public building used to house mentally retarded persons (including payment of salaries and costs and conducting training programs for the mentally retarded and developmentally disabled citizens).

4. Contributed Property and Equipment

The Association occupies a parish government owned building located at 101 Bamboo Street, Laplace Louisiana under an agreement with the St. John the Baptist Parish Council at no charge. Included in contributed property and equipment on the Statements of Activities and Changes in Net Assets is \$42,000 for the years ended June 30, 2013 and 2012.

During the year ended June 30, 2012, the Association received a donation of two vehicles from the State of Louisiana. Included in contributed property and equipment on the Statements of Activities and Changes in Net Assets is \$92,742 for the year ended June 30, 2012.

5. Concentration

The Association receives from the State of Louisiana, Department of Health and Hospitals approximately 63% and 60% of total revenue for the years ended June 30, 2013 and 2012.

6. Capital Lease

The Association leases certain equipment under a capital lease expiring in December 2017. Accordingly, the equipment has been recorded as an asset at the present value of the minimum lease payments discounted at an interest rate of 4.925%. Equipment held under the capital lease has a net book value of \$13,434 at June 30, 2013. Accumulated amortization on equipment held under the capital lease at June 30, 2013 \$1,566. Minimum future lease payments under these leases are as follows:

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS

6. Capital Lease (continued)

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 3,391
2015	3,391
2016	3,391
2017	3,391
Thereafter	1,413
Total Minimum lease payments	14,977
Less amount representing interest	(1,543)
Present value of net minimum lease payments	<u>\$ 13,434</u>
Current portion	\$ 2,792
Non-current portion	10,642
	<u>\$ 13,434</u>

7. Hurricane Isaac Damage

In August and September 2012, the Laplace area suffered damages from Hurricane Isaac. There were flooding and physical damage to the facility and equipment used by the Association. As a result, certain assets were impaired and required restoration efforts to restore their service utility. Repair efforts were ongoing and the Association moved back into the facility in November 2012. The Association incurred costs of \$165,440 for repairs to the facility. The Association along with the St. John the Baptist Parish is working with the Federal Emergency Management Agency to determine amounts eligible for reimbursement. The Association received insurance reimbursements of \$98,000 in December 2012.

8. Subsequent Events

Management of the Association has evaluated subsequent events through the date the financial statements were available to be issued, December 5, 2013, noting no items requiring disclosure.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
St. John Association for Retarded Citizens, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. John Association for Retarded Citizens, Inc. (the Association), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite + Nottenwill

Metairie, Louisiana
December 5, 2013

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2013

(A) Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified: none noted
- Significant deficiency(ies) identified that are not considered to be material weaknesses: none noted

Noncompliance material to the financial statements: none noted

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2013

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

2012-1 Accounting and Financial Reporting

Criteria: The Association should have systems of internal accounting control which ensures the basic financial statements are presented in accordance with U.S. generally accepted accounting principles on a timely basis.

Condition: The Association does not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements on a timely basis.

Context: During our audit, we noted the Association performed the reconciliations and analysis of its significant accounts significantly after year end. The frequency and the timing of the reconciliations required the Association to make significant adjustments to its financial statements. Significant adjustments were required after year end for the following areas: accounts receivable; capital assets; accounts payable and accrued liabilities; and revenues and expenses.

Cause: The Association does not have appropriate procedures to prepare accurate and complete financial statements in a timely manner in accordance with U.S. generally accepted accounting principles.

Effect: The Association recorded material adjustments to its major accounts to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles.

Recommendation: The Association should implement a policy in which all significant balance sheet accounts, including all cash accounts, accounts receivable, accounts payable, and other liabilities are reconciled on a monthly basis and reviewed for agreement to the general ledger. Reconciliations for all accounts should be performed at least annually. Review of the reconciliations should be performed in a timely manner and should be documented.

Management's Response: The Association concurs with the finding. Due to staffing limitations, the Association has engaged the services of a contract CPA to assist with the account reconciliation process throughout the year.

Current Status: Resolved.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2012

(C) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

11-02 Inadequate Controls over Financial Statement Preparation

Description: The Association does not have a staff person who has the qualifications and training to apply U.S. generally accepted accounting principles (GAAP) in recording the Association's financial transactions or preparing its financial statements, including the related notes.

Current Status: Resolved.